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February 23, 2006

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The Honorable Donovan Dela Cruz
and Member of the City Council
City and County of Honolulu
530 South King Street, Room 202
Honolulu, Hawaii 96813

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Dear Chair Dela Cruz and Councilmembers:

Subject: Bills 1, 12 and 80

The Mayor's Property Tax Policy Advisory Committee has met on three occasions to discuss near-term property tax relief and longer term Property Tax Policy. In connection with the City Council's review of pending property tax legislation, we thought it might be helpful if we relayed some of our provisional thoughts.

Overall, most of the committee members are of the view that some form of near-term tax relief is appropriate given the large year over year increase in property valuations. However, the majority believes that lowering the rate would be the most appropriate means for implementing such tax relief both for reasons of simplicity and because any changes in exemptions or other aspects of property tax legislation should only be undertaken in the context of a broad review of the City and County's approach to property tax legislation.

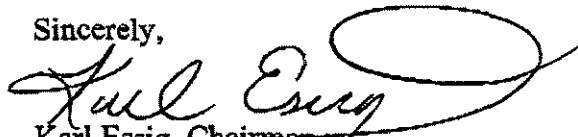
Notwithstanding the view expressed above, our Committee has discussed the current bills under consideration and would relate the following views. Bills 1 and 80 are now considerably simpler and more straightforward than when introduced and do address what can be considered appropriate parameters on which to base tax relief, i.e. age and income. However, at least one member of the Committee feels that co-mingling an income test and property tax determination is inappropriate. The Committee would also note that Bill 80 does carry an uncertain revenue impact for the City, which is problematic for determining the "value" of the tax relief.

With respect to Bill 12, the Committee is in principle would support the informational content associated with it, but we are uncertain that the actual methodology used will achieve the desired result. The other aspects of the bill are viewed as too complicated.

We hope that you find these views helpful in your deliberations.

Thank you for your time.

Sincerely,



Karl Essig, Chairman
On behalf of the Tax Policy Advisory Committee

Misc. Com. No. 0535

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